

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENTUCKY-AMERICAN WATER)	
COMPANY FOR A CERTIFICATE OF PUBLIC)	
CONVENIENCE AND NECESSITY AUTHORIZING)	CASE NO. 95-380
THE CONSTRUCTION OF CHEMICAL FEED)	
BUILDING NO. 2 IMPROVEMENTS AT THE)	
RICHMOND ROAD STATION)	

O R D E R

On August 28, 1995, Kentucky-American Water Company ("Kentucky-American") filed an application for a Certificate of Public Convenience and Necessity to construct a \$1,300,300 water-works improvement project. Kentucky-American proposes to finance the construction initially through funds available from previous financing or short-term bank borrowings. After construction is complete, Kentucky-American plans to obtain permanent financing to cover the cost.

The proposed construction will provide an addition to Chemical Feed Building No. 2 at the Kentucky River Station. Drawings and specifications for the proposed improvements have been prepared by Quest Engineers, Inc. of Lexington, Kentucky ("Engineer").

The Commission, having reviewed the evidence of record and being otherwise sufficiently advised, finds that:

1. The proposed construction consists of an addition to Chemical Feed Building No. 2 at the Richmond Road Station, and related appurtenances. After allowances are made for fees,

contingencies, and other indirect costs, the total cost of this project is approximately \$1,300,300.

2. The final chemical treatment currently takes place at the clearwell at the Richmond Road Station water treatment plant. The majority of the chemical treatment equipment is aged and becoming unreliable. The chemical feed systems are housed in two chemical feed buildings, except for the fluoride storage tank which is located behind Chemical Building No. 1.

3. The Chemical Feed Building No. 2 improvements, to be constructed adjacent to Chemical Building No. 2, are designed to contain new equipment which will replace the existing, aged equipment. The new building will contain facilities for the storage and application of chemicals as well as a control system to monitor the application status.

4. The proposed Chemical Feed Building No. 2 improvements will allow improved chemical storage and handling capabilities. In addition, the proposed facility will not require the ever increasing maintenance necessary to operate the existing aged equipment.

5. The proposed Chemical Feed Building No. 2 improvements are needed at the Richmond Road Station to ensure the delivery of adequate, efficient, and reasonable water service. The proposed facility will not create wasteful duplication with existing facilities but, to the contrary, will improve the reliability and efficiency of the water treatment process while lowering maintenance expense.

6. Any deviation from the construction approved should be undertaken only with the prior approval of the Commission.

7. Kentucky-American should obtain approval from the Commission prior to performing any additional construction not expressly certificated by this Order.

8. Kentucky-American should document the total costs of this project including the cost of construction and all other capitalized costs (engineering, legal, administrative, etc.) within 60 days of the date that construction is substantially completed. Construction costs should be classified into appropriate plant accounts in accordance with the Uniform System of Accounts for Water Utilities prescribed by the Commission.

9. Kentucky-American should require construction to be inspected under the general supervision of a professional engineer with a Kentucky registration in civil or mechanical engineering to ensure that the construction work is done in accordance with the contract drawings and specifications and in conformance with the best practices of the construction trades involved in the project.

10. Kentucky-American should furnish, within 60 days of the date of substantial completion of this construction, a copy of the "as-built" drawings and a signed statement of the Engineer that the construction has been satisfactorily completed in accordance with the contract plans and specifications.

IT IS THEREFORE ORDERED that:

1. Kentucky-American is granted a Certificate of Public Convenience and Necessity to construct the Chemical Feed Building

No. 2 improvements at the Richmond Road Station in accordance with the plans and specifications set forth in its application.

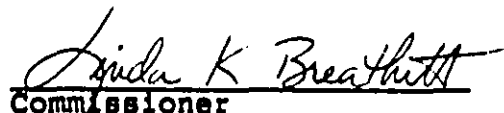
2. Kentucky-American shall comply with requirements contained in Findings 6 through 10.

Done at Frankfort, Kentucky, this 21st day of September, 1995.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director